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IN THE

Supreme Court of the United States

OCTOBER TERM, 1942

No. **966**

GENERAL MOTORS CORPORATION,

Petitioner,

v.s.

LOUIS LARSON AND EDWARD JOHNSTONE,

Respondents.

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SECOND CIRCUIT AND BRIEF IN
SUPPORT THEREOF**

DRURY W. COOPER,

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PETITION FOR WRIT OF CERTIORARI

*To the Honorable the Chief Justice and the Associate
Justices of the Supreme Court of the United States:*

Your Petitioner, General Motors Corporation, prays that a writ of certiorari issue, directed to the United States Circuit Court of Appeals for the Second Circuit, to review those parts of the decree of that Court, entered on the 24th day of March, 1943 (R. 139), which modified the judgment of the District Court, entered August 12, 1941 (R. 81), by striking out the declaration as to the invalidity of the patent sought by the declaratory judgment counterclaim; and reversing the decree of December 30, 1941 (R. 109) dismissing the second cause of action.

A certified transcript of the record in the action, including the proceedings in the Circuit Court of Appeals, is furnished herewith, in compliance with Rule 38 of this Court.

Summary Statement of Matter Involved

This is an action brought by respondents against petitioner. The complaint (R. 2) states two causes of action, the first for infringement of patent No. 1,983,983 for Automobile Body (R. 115); the second is based in quasi-contract for unjust enrichment, alleging that respondents notified petitioner of their novel idea and that thereafter petitioner used that idea on its automobiles without paying respondents for that use. The idea is set forth in paragraph *Fourth* of the first cause of action for patent infringement (R. 2), in paragraph *Fifteenth* of the second cause of action for unjust enrichment (R. 4), and in lines 1 to 9 of the patent (R. 115), all in substantially the same language:

"* * * the plaintiffs herein conceived an idea for the manufacture of a new and useful improvement and device for use in connection with the manufacture of automobile bodies which said idea had for its primary purpose the utilization of the space immediately behind the operator's seat and within the body proper for the carrying and seating of passengers and for the supporting of parcels or other articles, and this without the necessity of lengthening the body or changing the external appearance thereof" (Par. Fifteenth, second cause of action—R. 4).

Petitioner made answer (R. 6) denying both validity and infringement, and interposed a counterclaim (R. 11) under the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A. § 400)*, alleging the existence of an actual controversy between the parties and praying that respondents' patent be declared both invalid and not infringed, and for an injunction restraining respondents from harassing petitioner by reason of their ownership of the patent.

The first cause of action on the patent and the declaratory judgment counterclaim came on for trial (R. 75),

* See Appendix.

but before any testimony was taken, respondents admitted in open court that they did not claim any infringement on the part of the petitioner of the patent; they withdrew the first cause of action charging such infringement; they further amended their reply to petitioner's counterclaim and admitted therein that petitioner did not infringe (R. 75).

Respondents moved that the counterclaim should be dismissed because the entry of a judgment dismissing the first cause of action ended any existing controversy over the patent and deprived the court of jurisdiction over the counterclaim (R. 129). The District Court, however, tried out the sole issue of validity in the counterclaim, made findings of fact and conclusions of law (R. 74-80), and held the patent invalid (R. 80). In doing so the District Court based its judgment, in part, on petitioner's prior use and made the following findings, among others, with respect thereto:

"23) That all of the said acts of defendant recited in finding No. 22 herein were prior to April 3, 1934, the application date of plaintiff's patent, as well as prior to February 8, 1934, the earliest date that the plaintiffs sent defendant a description of their purported invention (Exhibit 2*).

* * * * *

"26) That all of defendant's coupes and roadsters which had opera or auxiliary seats in them, from late 1933 until the time of the filing of the complaint in this suit in May 1939, were like the photographs (Exhibits 11-16**) which were taken of an existing body on October 27, 1933, and differed only in details such as dimensions and hinging the seat to the back instead of the sides of the automobile" (R. 79).

Upon these findings of fact petitioner moved for summary judgment (R. 83) with respect to respondents' second cause of action on the ground that said findings consti-

* R. 24A *et seq.*

** R. 120-125.

tuted estoppel by judgment; this motion was granted and judgment was entered (R. 109). Respondents appealed from both judgments (R. 82 and 110).

The record in the Court of Appeals contained very little of the evidence adduced at the trial. The reason for this was that the respondents, appellants in the Court of Appeals, in their statement of points contained in their designation of contents of record on appeal under Rule 75 (d)* of the Federal Rules of Civil Procedure, limited themselves to two questions, namely, whether they had been deprived of their right of trial by jury and whether the District Court improperly and erroneously proceeded to adjudicate the validity of patent No. 1,983,983 under the counterclaim (R. 110-111 and 129). In other words, appellants made no attack on the correctness of the findings of fact. Both the District Court (R. 108) and the Court of Appeals (R. 133) found the findings of fact conclusive as to the second cause of action.

The Court of Appeals (R. 139) modified the judgment of August 12, 1941 (R. 81) dismissing the first cause of action and granting the relief under the counterclaim, by striking out the declaration as to the validity of the patent (sought for in the counterclaim), ruling that the issues of the counterclaim should not have been tried in view of the plaintiff's concession of non-infringement (R. 139). That court also reversed the judgment of December 30, 1941 (R. 109) dismissing the second cause of action (for unjust enrichment) and sent that part of the case back to the District Court for trial (R. 133 and 139) since, having ruled the counterclaim should not have been tried, there were no findings of fact to support the grant of petitioner's motion for summary judgment with respect to the second cause of action.

The basis of the decision of the Court of Appeals is that, when respondents admitted there was no infringement and offered to allow judgment against themselves on that ground as to the first cause of action then, even though it might be argued that there was a controversy to support

* See Appendix.

technical jurisdiction, yet the court below should have used its discretion and refused to pass upon the question of validity raised by the declaratory judgment counterclaim. This, because, since the question of validity in the counterclaim should not have been tried, there was no basis for the findings of fact which formed the basis, and controlled the granting, of petitioner's motion for summary judgment as to the second cause of action stated in the complaint.

Thereafter petitioner filed a petition for rehearing (R. 133) which was denied (R. 138).

It is petitioner's contention that the fact that respondents admitted non-infringement, did not destroy the controversial issue of validity of the patent which is justiciable under the counterclaim for declaratory judgment. The more does this apply since it is a well-known fact that automobile manufacturers change their models each year; the judgment for non-infringement would not be a bar to an action against a new and different construction.

While not made a part of the appeal record by the respondents, it is shown by the testimony in the District Court that beginning with the 1940 models of defendant's coupes (the complaint was filed in May, 1939 and the action tried in June, 1940, R. 1), a rear seat was placed which extended the entire width of the automobile as is shown in Figs 1 and 2 of the patent (R. 117 and 118) and concerning which the specification says, at page 1, lines 46-48 (R. 115):

"The present invention comprises a seat 4 mounted in the body 1 immediately to the rear of the operator's seat 2 * * *."

Having the rear seat extend the entire width of the car is a material change in construction from that charged to infringe, as exemplified by the photographs, Exhibits 11-16 (R. 120-125), where there were two individual or opera seats placed behind the operator's seat. This change brings petitioner closer to the patent and presents a new question of infringement which is not covered by the judgment of the Court of Appeals and is an added reason why the validity of the patent should be adjudicated under the counterclaim.

An adjudication of invalidity of this obviously invalid patent will not only relieve petitioner of the controversy over it, but will also relieve the public of the continuing threat of having an invalid patent hanging over its head.

Jurisdiction

1. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. § 347)*.
2. The date of the decree which petitioner seeks to have reviewed is March 24, 1943 (R. 139).
3. The petition for rehearing was denied March 23, 1943 (R. 138).

Questions Presented

1. Whether when a plaintiff, in an action for patent infringement wherein the defendant files a counterclaim under the provisions of the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A. § 400), seeking to have the plaintiff's patent declared both not infringed and invalid and there is an actual controversy between the parties, and thereafter the plaintiff admits there is no infringement, there is a justiciable issue left in the counterclaim as to the validity of the patent?
2. Whether when a plaintiff has charged infringement of his patent, and thereafter sues upon allegations of validity and infringement (complaint, Paragraphs Seventh and Ninth—R. 3), and thereafter defendant by counterclaim for declaratory judgment raises the issues of validity and infringement of that patent, can the defendant's right to an adjudication of invalidity be nullified by plaintiff's concession of non-infringement?

* See Appendix.

3. Whether when a plaintiff has charged infringement of his patent, and thereafter sues upon allegations of validity and infringement, which are denied in the answer, and thereafter defendant by counterclaim for declaratory judgment alleges that that patent is not infringed and invalid, which are denied in the reply, is it an abuse of discretion for the District Court to try the issue of validity under the counterclaim, when, at the opening of the trial and before testimony was taken, plaintiff admits there is no infringement of that patent by defendant and offers to take a judgment only of non-infringement?

Reasons for Granting the Writ

The discretionary power of this Court to grant a writ of certiorari is invoked for the following reasons:

1. That an important question of federal law which has not been, but should be, settled by this Court is presented: The case at bar is somewhat analogous to *A. W. Altwater and The Western Supplies Company, Petitioners v. Benjamin W. Freeman and The Louis G. Freeman Co., Respondents*, No. 696, October Term 1942, wherein petition for writ of certiorari was filed on February 2, 1943, granted on March 8, 1943, argued on April 19, 1943, and is now awaiting decision, wherein the Circuit Court of Appeals for the Eighth Circuit, 130 F. 2d 763, struck out those parts of the judgment below which held the patents invalid, which issue was raised by defendants' declaratory judgment counterclaim; the reason assigned was:

"By their counterclaim defendants sought a declaratory judgment, but, as already observed, when the court found no infringement, there then remained no justiciable controversy" (p. 765).

2. That there is conflict not only between the circuits, but also within them, on this question of law which should be settled by this Court: The case at bar, which comes up

from the Second Circuit, is contrary to a published ruling of that Court, namely, *Knaust Brothers, Inc. v. Goldschlag et al.*,* 119 F. 2d 1022, wherein that court adopted the opinion below as its own in a *per curiam* opinion, the complete text of which is:

“Judgment affirmed on opinion below, D. C., 28 F. Supp. 188.”

The facts of the *Knaust* case are indistinguishable from those of the one at bar. In the former, the plaintiff charged infringement of patents Nos. 2,034,678 and 2,097,766 and the defendants interposed a counterclaim for declaratory judgment seeking to have those patents declared both not infringed and invalid. The plaintiff conceded non-infringement of one patent, leaving only the question of invalidity. The District Court found both patents invalid and said, at page 190 (opinion reported 28 F. Supp. 188):

“On April 6, 1939, the plaintiff, in a bill of particulars stated that it would not rely on Patent No. 2,097,766 but would rely only on claims 1, 2, 3, 4, 7 and 8 of Patent No. 2,034,678 and omitted claims Nos. 5 and 6. This was approximately three weeks prior to the commencement of the trial of this suit.

“At the argument, after the trial thereof, on June 2, 1939, the plaintiff's counsel stated in open Court that he would consent to a decree under the counter-claim holding that there had not been any infringement of Patent No. 2,097,766. But this, of course, does not cover the ambit of the relief desired by the defendants.

* * * * *

“I do not think that in the case of a patent, which is a claim of monopoly hanging over a trade, the plaintiff can suddenly, at the last moment, withdraw his claim of infringement and then claim, as the plaintiff's counsel now seeks to do, that the question of the validity has become moot. Lewis Invisible Stitch Machine Co.

* Borchard, in his *Declaratory Judgments*, 2d Ed., 1941, in a footnote on page 814 raises the query whether the *Knaust* case conflicts with *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241.

v. Columbia Blindstitch Machine Mfg. Corp., D. C., 22 F. Supp. 705, 708, 709, and cf. *Basevi v. Edward O'Toole Co.*, D. C., 26 F. Supp. 41, 44, applying the same principle to copyrights.

"I think the plaintiff itself created a controversy by asserting the validity of the four claims of that patent and an infringement thereof. *Meiniecke v. Eagle Druggist Supply Co., Inc.*, D. C., 19 F. Supp. 523, 525. Inasmuch as a controversy was thus created by itself, the plaintiff cannot now, having once blown hot, be allowed to blow cold and claim that there was not any controversy." * (Emphasis supplied.)

The instant case also conflicts with another decided by the Second Circuit Court of Appeals, namely, *Yardley v. Houghton Mifflin Co., Inc.*, 108 2d 28, petition for writ of certiorari denied 309 U. S. 686, where that court affirmed the judgment of the District Court granting the prayer of the counterclaim brought under the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A., §400), to have the renewal copyright declared invalid. The plaintiff brought the action on both the original copyright and the renewal thereof. Subsequently the plaintiff amended the complaint and stood only on the original copyright. Defendant thereupon counterclaimed praying that the renewal copyright be declared invalid. The court said at page 32:

"By its counterclaim the appellee sought a declaration that the renewal copyright registration obtained by the plaintiff in 1932 was void because not effected pursuant to the statute, 17 U. S. C. A. § 24. It is now conceded that only Turner's executor could legally obtain a renewal. *Fox Film Corp. v. Knowles*, 261 U. S. 326, 43 S. Ct. 365, 67 L. Ed. 680. While the original bill had asserted a claim based upon the renewal, the amended bill did not, and the evidence disclosed that the defendant had ceased publication of its reproduction of the painting in 1936, when notified of the claim

* The court of appeals, in the case at bar, denied a petition for rehearing based on the *Knaust* case, on the ground that the plaintiff-appellant in the *Knaust* case stated in its brief that it did not press its appeal on patent No. 2,097,766 (R. 137). Nevertheless, in the decision as reported, the affirmance was on the opinion below.

of infringement. Hence, the appellant argues that there was no controversy between the parties requiring a declaration of rights as to the renewal copyright. We cannot agree. *The counterclaim asserted the invalidity of the renewal and the plaintiff's reply thereto denies the allegations of invalidity. She conceded invalidity at the trial but she had previously asserted rights under the renewal and she might do so again in a subsequent suit, if its invalidity were not adjudged. There was no error in awarding judgment on the counterclaim.*" (Emphasis supplied.)

The confusion which exists in the Second Circuit on the question of "controversy" under the Constitution is clearly shown in the separate concurring opinion of Judge Clark upon the denial of a petition for rehearing after he had dissented from the majority upon the first decision, in the case of *Cover v. Schwartz*, 133 F. 2d 541, decided December 17, 1942 and rehearing denied January 8, 1943. In that case, it is true, there was no counterclaim for declaratory judgment seeking to have the plaintiff's patent declared invalid, but the District Court had found the patent invalid and not infringed. On appeal, the plaintiff's counsel waived his appeal as to infringement, and the court dismissed the appeal as to that patent on the ground that there was no constitutional jurisdiction because there was no "controversy" left in the case on validity. Judge Clark said, at page 551:

"Recent decisions of this court suggest that a matter which should lie easily in the court's discretion, see 11 Geo. Wash. L. Rev. 121, is now in a rather hopeless procedural mess. Compare *Richard Irvin & Co. v. Westinghouse Air Brake Co.*, 2 Cir., 121 F. 2d 429 (decision below reversed in part, since invalidity is moot upon a finding of non-infringement); *Hazeltine Corp. v. Emerson Television-Radio, Inc.*, 2 Cir., 129 F. 2d 580 (decision below affirmed on one, or possibly two, of the several grounds upon which it was entered); *Aero Spark Plug Co. v. B. G. Corp.*, 2 Cir., 130 F. 2d 290 (decision below affirmed for non-infringement only, against the objections of Judge Frank); *K. Kaufmann & Co. v. Leitman*, 2 Cir., 131 F. 2d 308 (decision below,

of non-infringement alone, affirmed for invalidity alone, it being then unnecessary to decide as to infringement); the present case (the reviewing court lacks jurisdiction which the trial court has); and *Franklin v. Masonite Corp.*, 2 Cir., Dec. 31, 1942, 132 F. 2d 800 (decision below of invalidity and infringement affirmed for non-infringement)."

3. The ruling in the present action is contrary to that in *Alfred Hofmann, Inc. v. Knitting Machines Corporation et al.*, 123 F. 2d 458, decided by the Third Circuit Court of Appeals. In that case, the plaintiff sued to have certain patents declared invalid and the court below

" * * * granted the motion to dismiss as to the two last issued Miller patents (October 8, 1940) because the complaint does not allege importation or sale of any machines or parts after the issuance of these patents and does not allege ' * * * that Knitting Machines Corporation represented that plaintiff had ever infringed any of the claims of either of these two Miller patents' " (p. 459).

In view of this lack of allegation and in view of an affidavit that "no actual infringement has ever been committed by the plaintiff since the issuance of these two Miller patents on October 8, 1940", the District Court ruled that there was no "justiciable controversy" concerning them (p. 460). The Third Circuit Court of Appeals reversed this ruling saying, at pages 460 and 461:

"We disagree with the conclusion expressed by the court below as to the existence of a controversy between Alfred Hofmann, Inc., and Knitting Machines Corporation in regard to the two Miller patents granted October 8, 1940. Subsection (1) of Section 274d provides that in cases 'of actual controversy' the courts of the United States have power to declare the rights and legal relations of the party petitioning for the declaration. The Supreme Court, in *Aetna Life Insurance Company v. Haworth*, 300 U. S. 227, 240, 241, 57 S. Ct. 461, 464, 81 L. Ed. 617, 108 A. L. R. 1000, held that an actual controversy is a justiciable controversy: viz., 'one that is appropriate for judicial determination.' While it is true that Knitting Machines Corporation cannot main-

tain a suit for infringement of the last two Miller patents against Alfred Hofmann, Inc., because the plaintiff had not sold a Schubert and Salzer knitting machine after the issuance of the patents, none the less, Knitting Machines Corporation can maintain a suit for infringement of these patents against any purchaser of Schubert and Salzer machines (such as Propper-McCallum Hosiery Company) who uses the machines after the issuance of the patents. To say that there is no justiciable controversy between the manufacturer and the patentee who sues the customer of the manufacturer is to put too narrow an interpretation upon the Declaratory Judgment Act. The definition of justiciable controversy supplied by the Supreme Court in the Aetna case was broad, not narrow. The controversy at bar is real and substantial and admits ' * * of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts'."

WHEREFORE, your petitioner prays that a writ of certiorari issue to the United States Circuit Court of Appeals for the Second Circuit, commanding said Court to certify and send to this Court, on a day to be designated, a full and complete transcript of the record of all of the proceedings of that Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court: that the judgment of said Court of Appeals be reversed as to those parts which modified the judgment of August 12, 1941, by striking out the declaration as to the validity of the patent which was raised by the counterclaim, and which reversed the judgment of December 30, 1941 dismissing the second cause of action.

GENERAL MOTORS CORPORATION,
Petitioner,

By DRURY W. COOPER,
Attorney for Petitioner.

Dated: New York, N. Y.,
April 26, 1943.